

**ASSEMBLY BILL**

**No. 75**

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**Introduced by Assembly Member Huffman**

December 16, 2008

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An act to amend Section 14166.245 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 75, as introduced, Huffman. Medi-Cal.

Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which qualified low-income persons are provided with health care services. Under existing law, for certain hospitals that receive Medi-Cal reimbursement from the State Department of Health Care Services and that are not under contract with the State Department of Health Care Services pursuant to specified existing law, specified payments for inpatient hospital services provided on and after July 1, 2008, are reduced by 10%. Existing law revises the amount of these payments, beginning on October 1, 2008, pursuant to a specified formula. Existing law exempts open health facility planning areas with 3 or more hospitals with licensed general acute care beds from this revised formula.

This bill would revise the above exemption to exclude all hospitals owned or operated by the state.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 14166.245 of the Welfare and Institutions Code, as amended by Section 57 of Chapter 758 of the Statutes of 2008, is amended to read:

14166.245. (a) The Legislature finds and declares that the state faces a fiscal crisis that requires unprecedented measures to be taken to reduce General Fund expenditures to avoid reducing vital government services necessary for the protection of the health, safety, and welfare of the citizens of the State of California.

(b) (1) Notwithstanding any other provision of law, except as provided in Article 2.93 (commencing with Section 14091.3), for hospitals that receive Medi-Cal reimbursement from the State Department of Health Care Services and that are not under contract with the State Department of Health Care Services pursuant to Article 2.6 (commencing with Section 14081) of Chapter 7 of Part 3 of Division 9, the amounts paid as interim payments for inpatient hospital services provided on and after July 1, 2008, shall be reduced by 10 percent.

(2) (A) Beginning on October 1, 2008, amounts paid that are calculated pursuant to paragraph (1) shall not exceed the applicable regional average per diem contract rate for tertiary hospitals and for all other hospitals established as specified in subparagraph (C), reduced by 5 percent, multiplied by the number of Medi-Cal covered inpatient days for which the interim payment is being made.

(B) This paragraph shall not apply to small and rural hospitals specified in Section 124840 of the Health and Safety Code, or to hospitals in open health facility planning areas that were open health facility planning areas on October 1, 2008, unless either of the following apply:

(i) The open health facility planning area at any time on or after July 1, 2005, was a closed health facility planning area as determined by the California Medical Assistance Commission.

(ii) The open health facility planning area has three or more hospitals, *excluding all hospitals owned or operated by the state*, with licensed general acute care beds.

(C) (i) For purposes of this subdivision and subdivision (c), the average regional per diem contract rates shall be derived from unweighted average contract per diem rates that are publicly

1 available on June 1 of each year, trended forward based on the  
2 trends in the California Medical Assistance Commission's Annual  
3 Report to the Legislature. For tertiary hospitals, and for all other  
4 hospitals, the regional average per diem contract rates shall be  
5 based on the geographic regions in the California Medical  
6 Assistance Commission's Annual Report to the Legislature. The  
7 applicable average regional per diem contract rates for tertiary  
8 hospitals and for all other hospitals shall be published by the  
9 department on or before October 1, 2008, and these rates shall be  
10 updated annually for each state fiscal year and shall become  
11 effective each July 1, thereafter. Supplemental payments shall not  
12 be included in this calculation.

13 (ii) For purposes of clause (i), both the federal and nonfederal  
14 share of the designated public hospital cost-based rates shall be  
15 included in the determination of the average contract rates by  
16 multiplying the hospital's interim rate, established pursuant to  
17 Section 14166.4 and that is in effect on June 1 of each year, by  
18 two.

19 (iii) For the purposes of this section, a tertiary hospital is a  
20 children's hospital specified in Section 10727, or a hospital that  
21 has been designated as a Level I or Level II trauma center by the  
22 Emergency Medical Services Authority established pursuant to  
23 Section 1797.1 of the Health and Safety Code.

24 (D) For purposes of this section, the terms "open health facility  
25 planning area" and "closed health facility planning area" shall  
26 have the same meaning and be applied in the same manner as used  
27 by the California Medical Assistance Commission in the  
28 implementation of the hospital contracting program authorized in  
29 Article 2.6 (commencing with Section 14081).

30 (c) (1) Notwithstanding any other provision of law, for hospitals  
31 that receive Medi-Cal reimbursement from the State Department  
32 of Health Care Services and that are not under contract with the  
33 State Department of Health Care Services, pursuant to Article 2.6  
34 (commencing with Section 14081), the reimbursement amount  
35 paid by the department for inpatient services provided to Medi-Cal  
36 recipients for dates of service on and after July 1, 2008, shall not  
37 exceed the amount determined pursuant to paragraph (3).

38 (2) For purposes of this subdivision, the reimbursement for  
39 inpatient services includes the amounts paid for all categories of  
40 inpatient services allowable by Medi-Cal. The reimbursement

1 includes the amounts paid for routine services, together with all  
2 related ancillary services.

3 (3) When calculating a hospital's cost report settlement for a  
4 hospital's fiscal period that includes any dates of service on and  
5 after July 1, 2008, the settlement for dates of service on and after  
6 July 1, 2008, shall be limited to the lesser of the following:

7 (A) Ninety percent of the hospital's audited allowable cost per  
8 day for those services multiplied by the number of Medi-Cal  
9 covered inpatient days in the hospital's fiscal year on or after July  
10 1, 2008.

11 (B) Beginning for dates of service on and after October 1, 2008,  
12 the applicable average regional per diem contract rate established  
13 as specified in subparagraph (A) of paragraph (2) of subdivision  
14 (b), reduced by 5 percent, multiplied by the number of Medi-Cal  
15 covered inpatient days in the hospital's fiscal year, or portion  
16 thereof. This subparagraph shall not apply to small and rural  
17 hospitals specified in Section 124840 of the Health and Safety  
18 Code, or to hospitals in open health facility planning areas that  
19 were open health facility planning areas on July 1, 2008, unless  
20 either of the following apply:

21 (i) The open health facility planning area at any time on or after  
22 July 1, 2005, was a closed health facility planning area as  
23 determined by the California Medical Assistance Commission.

24 (ii) The open health facility planning area has more than three  
25 hospitals, *excluding all hospitals owned or operated by the state*,  
26 with licensed general acute care beds.

27 (d) Except as provided in Article 2.93 (commencing with Section  
28 14091.3), hospitals that participate in the Selective Provider  
29 Contracting Program pursuant to Article 2.6 (commencing with  
30 Section 14081) and designated public hospitals under Section  
31 14166.1, except Los Angeles County Martin Luther King,  
32 Jr./Charles R. Drew Medical Center and Tuolumne General  
33 Hospital, shall be exempt from the limitations required by this  
34 section.

35 (e) Notwithstanding the rulemaking provisions of Chapter 3.5  
36 (commencing with Section 11340) of Part 1 of Division 3 of Title  
37 2 of the Government Code, the director may implement and  
38 administer this section by means of provider bulletins, or other  
39 similar instructions, without taking regulatory action.

1 (f) The director shall promptly seek all necessary federal  
2 approvals in order to implement this section, including necessary  
3 amendments to the state plan.

4 (g) Notwithstanding any other provision of this section, small  
5 and rural hospitals, as defined in Section 124840 of the Health and  
6 Safety Code, shall be exempt from the payment reductions set  
7 forth in this section for dates of service on and after November 1,  
8 2008.

9 (h) For hospitals that are subject to clauses (i) and (ii) of  
10 subparagraph (B) of paragraph (2) of subdivision (b) and that  
11 choose to contract pursuant to Article 2.6 (commencing with  
12 Section 14081), the California Medical Assistance Commission  
13 shall negotiate rates taking into account factors specified in Section  
14 14083.

15 (i) (1) In January 2010 and in January 2011, the department  
16 and the California Medical Assistance Commission shall submit  
17 a written report to the policy and fiscal committees of the  
18 Legislature on the implementation and impact of the changes made  
19 by this section, including, but not limited to, the impact of those  
20 changes on the number of hospitals that are contract and  
21 noncontract, patient access, and cost savings to the state.

22 (2) On or before January 1, 2012, the department, in consultation  
23 with the California Medical Assistance Commission, shall report  
24 on the implementation of this section. The report shall include,  
25 but not be limited to, information and analyses addressing patient  
26 access, capacity and needs within the health facility planning area,  
27 reimbursement of hospital costs, changes in the number of open  
28 and closed health facility planning areas, the impact of this section  
29 on the extent of hospital contracting, and fiscal impact on the state.

30 (j) This section shall remain in effect only until January 1, 2013  
31 and as of that date is repealed, unless a later enacted statute, that  
32 is enacted before January 1, 2013 deletes or extends that date.